

# Daily Dairy Report

Dairy market information provided by Alan Levitt

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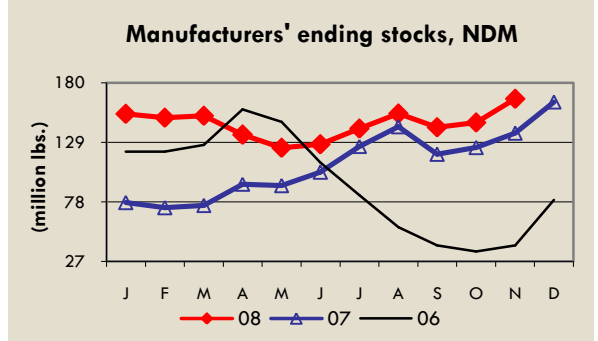
## FEB MILK TRADES BELOW \$10

Cheese prices tumbled again today – the 16<sup>th</sup> straight day for blocks. However, more buying interest was apparent today; 5 loads of blocks and 4 loads of barrels traded, the busiest day in more than a month.

Milk futures posted double-digit losses in FEB-DEC09, hitting new lows across the board. FEB09 briefly traded below \$10, but settled at \$10.04.

Spot butter was unchanged at \$1.13 on no activity. Spot NDM was unchanged as well, though 5 loads of Grade A were sold.

Manufacturers' stocks of NDM increased by 20.3 million lbs. in November, reflecting a dramatic slowdown in 4<sup>th</sup>-quarter sales. On Nov. 30, inventories stood at 166.3 million lbs., up 21.5% from a year ago and up 13.9% from the end of October, according to USDA's "Dairy Products" report released yesterday (see chart). In USDA records going back more than 50 years, this is the most powder in private storage heading into December and also the largest November increase in stocks.



In addition, manufacturers sold 36.6 million lbs. of powder into government storage under the support program in November.

Manufacturers have shifted back to making NDM vs. SMP as a result in the slowdown in export demand for milk powder. In November, just 11% of milk powder production was SMP and 89% was NDM; in the first half of 2008, 23% was SMP. NDM production in November was 134.8 million lbs., up 34.8% from last year and the most in a month (on a daily-average basis) since July 2004. SMP production was just 16.5 million lbs., down 16.3% and lowest in a month since September 2007, USDA says. **cme**

## JANUARY 6 TRADING ACTIVITY

	Class III Futures				Class III Options Calls		Class III Options Puts		Dry Whey Futures		Nonfat Dry Milk Futures		Butter Futures – Cash settle	
	Settle (\$)	chg. (¢)	volume & open interest from previous day		Settle (\$)	chg. (¢)	Settle (\$)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)
JAN 09	10.99	+2	91	4340	11.00 @ 0.19	-2	10.75 @ 0.10	-3	15.980	NC	85.000	NC	113.250	+0.250
FEB	10.04	-15	313	4108	10.25 @ 0.26	-8	10.00 @ 0.33	+6	15.500	NC	86.000	NC	116.000	NC
MAR	10.45	-29	252	3660	10.50 @ 0.45	NC	10.25 @ 0.38	+10	15.750	-0.250	87.000	NC	117.500	NC
APR	10.92	-22	122	3022	11.00 @ 0.54	NC	10.75 @ 0.49	+9	14.000	NC	87.000	NC	118.000	NC
MAY	11.45	-21	101	2795	11.50 @ 0.66	NC	11.25 @ 0.58	+8	15.250	NC	92.000	NC	121.000	NC
JUN	12.24	-10	91	2644	12.25 @ 0.78	NC	12.00 @ 0.66	+4	15.500	NC	94.000	NC	123.000	+1.000
JUL	12.76	-11	100	2415	13.00 @ 0.77	-6	12.75 @ 0.87	+5	17.000	NC	95.000	NC	123.500	+0.500
AUG	13.57	-13	140	2328	13.75 @ 0.92	-7	13.50 @ 0.97	+6	19.000	-0.250	95.000	-1.500	127.030	NC
SEP	13.90	-14	160	2384	14.00 @ 1.04	-8	13.75 @ 1.01	+6	19.500	NC	95.250	-0.500	131.250	+0.230
OCT	13.92	-13	88	2013	14.00 @ 1.11	-7	13.75 @ 1.05	+5	22.020	NC	99.500	NC	133.750	-0.250
NOV	13.90	-15	75	1931	14.00 @ 1.16	-8	13.75 @ 1.13	+7	22.020	NC	99.750	NC	132.500	NC
DEC	13.79	-16	71	1943	14.00 @ 1.15	-9	13.75 @ 1.22	+7	22.130	+0.125	99.750	NC	134.500	NC

### ➤ Spot Prices (with change, in cents, from previous day):

Block cheese	\$1.0800 (-4.75)
Barrel cheese	\$1.0600 (-3.75)
AA Butter	\$1.1300 (NC)
NDM Extra Grade	\$.8500 (NC)
NDM Grade A	\$.8300 (NC)

### ➤ Milk Prices (with change from previous month):

Dec. Class III milk (USDA)	\$15.28 (-\$0.23)
Dec. Class IV milk (USDA)	\$10.35 (-\$1.90)

### ➤ Futures Volume and Open Interest

	Volume	Open Interest
Class III.....	1,608.....	34,085
[* 131 Pit, 1477 Electronic]		
Class IV.....	0.....	104
NDM.....	2.....	832
Dry whey.....	19.....	1,302
Butter (cash settle).....	185.....	3,137

### ➤ Options Volume and Open Interest

	Volume	Open Interest
Class III.....	495.....	49,224
Class III Midi.....	1.....	120
Dry whey.....	0.....	150
Butter (cash settle).....	0.....	30

Futures and options volume and open interest from previous trading day

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